

UNCLASSIFIED

**Annual Budget
Submission**

FY 1985

ZAMBIA

BEST AVAILABLE

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Agency for International Development
Washington, D.C. 20523

UNCLASSIFIED

FY 1985 ANNUAL BUDGET SUBMISSION

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Agency for International Development
Washington, D.C.

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AID/ZAMBIA ACTION PLAN

As of May 27, 1983, AID did not have an approved CDSS for Zambia. In the wake of reviews held concerning AID/Zambia's submission in late February and early March 1983, it was decided to have a team of economists undertake an evaluation of the proposed strategy in light of the economic crisis in Zambia with a view to revalidating AID's emphasis on agriculture and/or recommending other sectoral interventions. A joint team of AID/W-REDSO/ESA economists undertook the strategy evaluation in Zambia between April 25 and May 19, 1983. A detailed summary of the team's work was submitted to Washington on May 23, 1983 (Lusaka 2187) and a final draft of the full report was handcarried to Washington at the same time. If the report is accepted by AID/W, a supplementary ABS narrative will be submitted to provide the "bridge" between the regional strategy and the CDSS as called for in the ABS Guidance.

A portion of the AID/W-REDSO/ESA team's report which includes recommendations follows.

Based on an assessment of the current economic situation, the changing economic policy framework, Government of the Republic of Zambia (GRZ) development objectives, other donor activities, and the development constraints and potentials of eight major economic sectors, the team recommends a continued AID program emphasis on the agricultural sector, focusing attention on increasing the output of small farmers (including emergent farmers) and on increasing food production in general. After considering a number of alternative intervention strategies in the other sectors, it is clear that AID can make a more important and productive contribution to the overall growth with equity objectives of Zambian development in agriculture than in any of the other sectors. It is also clear that this is a feasible alternative and that, indeed, some progress is already being achieved in this sector.

In view of its importance in providing inputs, markets, consumer goods and services and off-farm employment to the small farmers, the team also recommends a close examination of the heretofore neglected informal sector (with emphasis on the rural and agriculturally related parts of the informal sector). Such an examination should provide basic information and analysis that can be used to design future development interventions to improve the informal sector's productivity and the incomes of those who depend on it.

Finally, realizing the adverse effects of rapid population growth on the per capita gains in food production and farm incomes generated by the development program, it is also recommended that AID look for opportunities to lay a better information and technical foundation for the future expansion of health and family planning activities in Zambia.

While the macroeconomic policy framework is still biased against agricultural production, recently announced policy reforms of the pricing system have built upon previous measures to improve the situation and have demonstrated a degree of pragmatism on the part of GRZ policy-makers that was unsuspected a few months ago. Combined with agricultural producer price

increases made, partly as a result of policy dialogue initiatives pursued by AID/Zambia over the last two to three years, the more recent GRZ reforms have helped to create an atmosphere of change and to raise expectations of further reforms in the near future. To take advantage of the opportunities presented by this situation, the team recommends a major AID emphasis on policy dialogue with the Zambian authorities, carefully coordinated with the IMF and World Bank and focused on those remaining areas of policy reform important to the success of a rural development strategy.

Alternative intervention strategies were considered in mining, manufacturing, state-operated enterprises (SOE's), transport, energy, education and manpower training and health. It was concluded that while improving the productivity of mining, because of its importance in export earnings and potentially as a renewed source of public revenue, has high priority, the size of the assistance required is better left to one of the large multilateral donors. The disincentives, price distortions and policy framework affecting the formal manufacturing sector, which in any case only employs 2.7% of the workforce, are so convoluted that normal assistance activities would have little chance of much success. The IBRD is currently working with the GRZ to study ways to improve the industrial incentive structure before any financial assistance is proposed. Similarly with respect to the SOE's, the political impediments to improved economic performance, so long as the GRZ remains bound by a philosophy that places social goals resulting in government control and uneconomic pricing above economic efficiency, militate against much success at the present time, although adherence to this philosophy seems to be waning in the face of continued economic reverses.

To derive a significantly positive economic impact from aid assistance to the transport sector, which is already among the better developed in Africa, would require large investments in rural farm-to-market and feeder roads. While these are needed, they are not crucial to successful agricultural development (dirt roads are passable most of the year), and the economic rate of return will not be as large as directly productive activities in agriculture or research and extension services or policy planning. In the energy sector, conversion of mining operations from oil to coal and hydroelectric power could save some foreign exchange, but would require considerable investment in new equipment, transport and power transmission facilities to achieve. Assistance in the fuelwood subsector would primarily target urban poverty groups and conserve forestry resources in the long run, but would have no immediate impact on the balance of payments or food constraints.

In education and manpower training, the higher costs of overseas training make a strong cost-effectiveness case in favor of expanding domestic training capabilities, except for the most urgent, limited needs with the potential for high economic impact, such as for certain specific higher level technical, research, analytical and management skills of high priority. The critical need for imported inputs throughout the economy requires careful selectivity in the use of available foreign exchange, which militates against a more general overseas training program. Current scholarship programs, which are being financed by several foreign donors, are finding a general scarcity of

qualified secondary school graduates to be another serious constraint.
~~Cost-effectiveness arguments favoring domestic institutions are~~

[The remainder of the page is almost entirely obscured by heavy black redaction bars.]

agricultural development and related research and policy analysis, but it also has an on-going program focused on precisely this sector, which is providing highly suitable vehicles to support continued research, analysis, priority technical training and an even more intensive policy dialogue than heretofore. The agricultural emphasis also coincides with another key concern of AID, since this sector represents the largest part of the private sector in Zambia.

The informal sector, about which little of a specific nature is known, includes the second largest group of poor households and has grown rapidly during the last decade. The urban portion of it employs around a quarter of the entire labor force. In rural areas, its importance both as a market and as a source of input supplies to the agricultural sector, as well as a source of off-farm employment during slack seasons, strongly recommends more attention than it has so far received. By helping to sponsor studies of and experimental interventions in this sector, AID could play a key role in helping the GRZ to recognize its importance and to devise more appropriate policies and assistance mechanisms to support its development.

FY 1985 ANNUAL BUDGET SUBMISSION
TABLE I - LONG RANGE PLAN BY APPROPRIATION ACCOUNT (\$000)
 COUNTRY/OFFICE AID/ZAMBIA

| | FY 1983 | FY 1984 | | FY 1985 | PLANNING PERIOD | | | |
|-------------|----------|---------|----------|---------|-----------------|-------|------|------|
| | ESTIMATE | CP | ESTIMATE | AAPL | 1986 | 1987 | 1988 | 1989 |
| DA ACCOUNTS | -- | -- | -- | -- | -- | -- | -- | -- |
| ESF TOTAL | 15000 | 20000 | 20000 | 15000 | 15000 | 10000 | 5000 | 5000 |
| GRANTS | -- | 4000 | 3932 | 4990 | 5000 | 5000 | 5000 | 5000 |
| LOANS | 15000 | 16000 | 16068 | 10010 | 10000 | 5000 | -- | -- |

| | | | | | | | | |
|---------|--------|--------|---------|---------|---------|--------|--------|--------|
| PL 480 | (7000) | (7000) | (10000) | (12000) | (10000) | (7000) | (5000) | (5000) |
| TITLE I | | | | | | | | |

| | | | | | | | | |
|-----------------|------|------|------|------|------|-----|----|----|
| TOTAL PERSONNEL | 11.6 | 11.6 | 12.6 | 12.6 | 12.6 | 9 | 7 | 6 |
| USDH WORKYEARS | 6 | 6 | 7 | 7 | 7 | 5 * | 3* | 2* |
| FNDH WORKYEARS | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 4 * | 4* | 4* |

*To be consistent with AAPL projections which, according to ABS Guidance, are not to be changed, staffing levels show a decline after FY 1985.

FY 1985 ANNUAL BUDGET SUBMISSION

TABLE III - PROJECT OBLIGATIONS BY APPROPRIATION ACCOUNT
FY 1983 to FY 1985 (\$ thousands)Country/Office AID/ZAMBIA

| <u>APPROPRIATION ACCOUNT</u> | | <u>FY 1983</u> | <u>FY 1984</u> | <u>FY 1985</u> |
|--|---|----------------|----------------|----------------|
| TOTAL ALL DA APPROPRIATION ACCOUNTS | | -- | -- | -- |
| <u>ECONOMIC SUPPORT FUND</u> | | <u>15,000</u> | <u>20,000</u> | <u>15,000</u> |
| 611-0075 Agricultural Training, Planning and Institutional Development | G | -- | -- | 4,990 |
| 611-0201 Agricultural Development: Research and Extension | G | -- | 3,932 | -- |
| 611-3XX Commodity Import Program | L | 15,000 | 16,068 | 10,010 |
| TOTAL DA AND ESF | | 15,000 | 20,000 | 15,000 |

COUNTRY/OFFICE: AID/ZAMBIA

FY 1985 ANNUAL BUDGET SUBMISSION
TABLE IV - PROJECT BUDGET DATA

BUREAU NAME: AFRICA

| PROJECT NUMBER AND TITLE | | ESTIMATED U.S. DOLLAR COST (\$000) | | | | | | | | | | | | | | | |
|---|--------|------------------------------------|------|--------|--------|-------------------------|------------------------|---------------|----------------------------|------------------------------|------------------------------|-------------------------|------------------------|----------------|----------------|------------------------|-----|
| TECH CODE | G L | OBLIG DATE | INIT | FIN | AUTH | TOTAL COST-- PLAN | OBLIG THRU FY 82 | PIPE- LINE | FY 82 OBLIG- ATTIONS | FY 1983 EXPEND- ITURES | FY 1984 EXPEND- ITURES | FY 85 FUNDED AAPL | FY 86 THRU OBLIG | FY 87 OBLIG | FY 88 OBLIG | FY 89 ITEM OBLIG | |
| | | | | | | | | | | | | | | | | | NO. |
| ECONOMIC SUPPORT FUND | | | | | | | | | | | | | | | | | |
| 6110075 | G | 80 | 85 | 4785 | 9775 | 4785 | 534 | 2000 | 2000 | 2000 | 2000 | 4990 | 12/86 | -- | -- | -- | -- |
| AGRICULTURAL TRAINING, PLANNING AND INSTITUTIONAL DEVELOPMENT | | | | | | | | | | | | | | | | | |
| 6110201 | G | 80 | 84* | 12515 | 12515 | 8583 | 1164 | 3000 | 3932 | 4600 | 4600 | -- | -- | -- | -- | -- | -- |
| AGRICULTURAL DEVELOPMENT: RESEARCH AND EXTENSION | | | | | | | | | | | | | | | | | |
| 6110204 | G | 81 | 82 | 1166 | 1166 | 1167 | 497 | 332 | 299 | 299 | 299 | -- | -- | -- | -- | -- | -- |
| CHAMA AREA DEVELOPMENT PVO/OPG/U/R | | | | | | | | | | | | | | | | | |
| 61103XX | L | 77 | 87* | 119965 | 176043 | 119965 | 103308 | 15000 | 16068 | 16000 | 16000 | 10010 | 12/85 | 10000 | 5000 | -- | -- |
| COMMODITY IMPORT PROGRAM | | | | | | | | | | | | | | | | | |
| SUBCAT: ESCI | | | | | | | | | | | | | | | | | |
| APPROPRIATION TOTAL | | | | 138431 | 199499 | 134500 | 105503 | 15000 | 20332 | 22899 | 15000 | 10000 | 5000 | -- | -- | -- | -- |
| GRANT | | | | 18466 | 23456 | 14535 | 2195 | -- | 5332 | 6899 | 4990 | -- | -- | -- | -- | -- | -- |
| LOAN | | | | 119965 | 176043 | 119965 | 103308 | 15000 | 16068 | 16000 | 10010 | 10000 | 5000 | -- | -- | -- | -- |

| TABLE V - FY 1985 PROPOSED PROGRAM RANKING | | | | | Country/Office AID/ZAMBIA | | |
|--|------------------|---|----------------|---------------|---------------------------|----------------------------|-------|
| RANK | PROGRAM ACTIVITY | | ONGOING NEW | LOAN GRANT | APPR ACCT | PROGRAM FUNDING (\$000) | |
| | DESCRIPTION | | | | | INCR | CUM |
| 1 | 61103XX | COMMODITY IMPORT LOAN | 0 | L | ESF | 10010 | 10010 |
| 2 | 6110075 | AGRICULTURAL TRAINING, PLANNING AND INSTITUTIONAL DEVELOPMENT | 0 | G | ESF | 4990 | 15000 |
| 3 | 611PLOI | PL 480 TITLE I | | | PI | (7000) | 15000 |
| 4 | 6110201 | AGRICULTURAL DEVELOPMENT: RESEARCH AND EXTENSION | 0 | G | ESF | -- | 15000 |
| 5 | 611PLOI | PL 480 TITLE I | | | PI | (5000) | 15000 |

PROPOSED PROGRAM RANKING

As noted in the Action Plan narrative, AID/Zambia no longer has an approved CDSS. A sense of priorities and project ranking emanates from the report of the AID/W-REDSO/ESA team which visited Zambia between April 25 and May 19, 1983, for the purpose of reviewing the proposed strategy and the AID/Zambia emphasis on the agriculture sector. A portion of the team's report pertinent to this section follows.

In the context of the current economic crisis two overriding concerns of the GRZ are the severe shortage of foreign exchange needed to provide imported inputs for domestic production and the need to provide sufficient food each year for the growing population. How best to use various policy instruments at its disposal to meet these needs therefore becomes a matter of great national importance and urgency. To provide maximum benefit to Zambia in this period of difficulty, the AID program should be designed as carefully as possible to assist in these three areas in the short run -- foreign exchange, food and policy -- as well as contributing to the long run objectives of equitable economic growth. This argues against an agricultural program that would target small farmers to the exclusion of commercial farmers, since the latter are better able to increase marketable food production in the short-run. It also places a premium on the use of quick-disbursing instruments like the CIP and PL 480 programs that can simultaneously provide badly needed balance of payments support, food, and inputs into the food production process (such as fertilizer, small farm implements and spare parts, etc.) as well as more attractive and palatable "leverage" in the policy dialogue than can other, less responsive instruments. In addition, these same instruments can provide local currency generations for budgetary support, thereby assisting the GRZ with another pressing resource problem (financing recurrent costs) and further enhancing their use in the policy dialogue effort.

In the current economic situation and the evolving policy framework, the present AID program objectives in Zambia seem doubly appropriate: (1) to increase food production and (2) to increase small farm productivity. Both of these objectives should have equal weight. While the food production and policy reform efforts will affect all farmers, many of the longer run project activities (e.g., analysis, research) will be focused on small farmers. In addition to these two main objectives, and arising out of the long run development requirements of the agricultural sector, are the two supporting goals of (1) increasing the productivity and income of non-farm rural enterprise and (2) reducing the rate of population growth.

In pursuit of these objectives, the recommended AID program should first give priority to helping the GRZ change those policies which constrain food production and small farm productivity and income. This will require (1) improvement in relative consumer prices for food products, (2) regional differentiation in agriculture producer prices, and (3) reducing the functions of parastatals and increasing the scope for private commerce and cooperatives. These policy constraints affect the demand for food, the supply of food, and the marketing system, respectively. The policy changes recommended will result in an increase of the small farm sector's opportunities relative to those of the commercial farm sector and to encourage small farmers to participate more actively in the market economy.

AID modalities that can support this policy effort are of two types: action-oriented and analysis oriented. The primary instruments on the action side are the CIP and PL 480 mechanisms, both of which provide sorely needed foreign exchange (or commodity imports, which amounts to the same thing) and local currency generations in the short term. The annual negotiations for these programs, staggered throughout the year, are important forums for policy dialogue. AID should also continue to use the Zambia Agricultural Training, Planning and Institutional Development (ZATPID) Project (611-0075) as a policy forum and to analyze policy issues.

With respect to analysis, the ZATPID Project is also directed toward institutionalizing GRZ capability to collect and analyze information and to plan a coherent agricultural development strategy. The project finances technical training toward this end. In addition, the Agricultural Research and Extension Project (611-0201) is designed to institutionalize an agricultural research and extension program based on the farming systems approach aimed at the small farm sector -- the recommended (and present) target group. It should also be continued as it directly supports the recommended strategy.

AID should also initiate investigations regarding the two supporting goals of increased non-farm rural income and a reduced population growth rate. The ZATPID Project can be used to finance the desired studies in the informal sector and the demographic analysis of the 1980 census. Centrally-funded family planning projects can finance further population studies and provide related technical training. The design of longer term interventions in these areas will depend on the outcome of these studies.

EVALUATION PLAN

A. Issues Narrative

Unfortunately, for political reasons, bilateral relations between Zambia and the United States were frozen between June 1981, and June 1982. AID/Zambia programs were, as a result, hampered by political fall-out, turmoil and continued uncertainty and drift within the Zambian Government. Projects were delayed, negotiations slowed and overall program implementation efforts jeopardized.

Since the summer and fall of 1982 the AID program has moved slowly back on track with new CIP and PL 480 agreements in place and the two AID projects increasingly operational. It has been a deliberate process which could, given events in Southern Africa, be disrupted at any time. Nevertheless, relationships have been fully established and the overall AID program is proceeding as planned under the originally approved CDSS which was developed in 1980 and updated in 1981.

However, as noted in the earlier Action Plan and the Proposed Program Ranking narrative, the AID strategy for Zambia is presently being evaluated (see Lusaka 2187 of May 23, 1983). The AID/Zambia Evaluation Plan for the future will undoubtedly be influenced by the ultimate outcome of this process. If the recent appraisal and recommendations of an AID/W-REDSO/ESA team of economists are accepted, AID/Zambia will be in a better position to evaluate future overall program and individual activities. At the moment, however, they remain to be tested fully as a result of the political events of the June 1981 - June 1982 period, the deliberate evolution of AID activities since then, and the current uncertainty over the AID strategy in Zambia.

Nevertheless, Table VII assumes that all AID instruments (loans, grants and food aid) will remain in place and that AID/Zambia will be in a position to appraise them in FY 1984 with respect to the influence they have on policy -- especially in the agriculture sector -- a major theme of the present AID program in Zambia.

TABLE VII - LIST OF PLANNED EVALUATIONS
 FY 1985 ANNUAL BUDGET SUBMISSION
 COUNTRY/OFFICE AID/ZAMBIA

| Project List (Project No. & Title) | Last Eval Completed (Mo./Yr.) | FY 1984 | | FY 1985 | | Reasons/Issues | Funding Source (\$000) | USAID Person Days | Collateral AID Assistance |
|--|-------------------------------------|----------------|-------------|----------------|-------------|---|---------------------------|-------------------------|--|
| | | Start (Qtr) | To (Qtr) | Start (Qtr) | To (Qtr) | | | | |
| Economic Support Fund | | | | | | | | | |
| 611-0075 Agricultural Training Planning and Insti- tutional Development | 7/83 | 2* | 2* | -- | -- | PACD = 9/30/85 To determine if initial project phase is being implemented success- fully and if an additional phase is feasible/desirable. Topics to be included in the evaluation are the collaborative approach, participant selection criteria, project manage- ment arrangements and institution building efforts. | PM&R 10 | 25 | REDSO/ESA 15 days AID/W TDY 15 days |
| 611-0201 Agricultural Develop- ment : Research and Extension | 9/83 | 4 | 85/1 | -- | -- | PACD = 12/31/85 To assess early implementation actions to include progress and problems in TA, training and commod- ity usage. Determine if an addition- al phase is feasible/desirable. | PM&R 10 | 25 | REDSO/ESA 15 days AID/W TDY 15 days |
| (Project Officers serve as Evaluation 15% of the time). | | | | | | Officers : Fred Perry, General Development Officer and Ernest Gibson, Agricultural Development Officer - both | | | |

ORGANIZATION AID/ZAMBIA

| <u>EXPENSE CATEGORY</u> | <u>FUNCTION CODE</u> | <u>OBJECT CLASS</u> | <u>DOLLAR FUNDED</u> | <u>TRUST FUNDED</u> | <u>TOTAL BUDGET</u> | <u>UNITS</u> |
|------------------------------|----------------------|---------------------|----------------------|---------------------|---------------------|--------------|
| <u>U.S. DIRECT HIRE</u> | U100 | | 505.9 | | 505.9 | XXXXX |
| U.S. CITIZENS BASIC PAY | U101 | 110 | 317.0 | | 317.0 | 6.0 |
| PT/TEMP U.S. BASIC PAY | U102 | 112 | - | | - | |
| DIFFERENTIAL PAY | U103 | 116 | 38.2 | | 38.2 | XXXXX |
| OTHER AID/W FUNDED O.C. 11 | U104 | 119 | - | | - | XXXXX |
| OTHER MISSION FUNDED O.C. 11 | U105 | 119 | 2.7 | | 2.7 | XXXXX |
| EDUCATION ALLOWANCES | U106 | 126 | 22.6 | | 22.6 | 5.0 |
| RETIREMENT - U.S. | U107 | 120 | 22.2 | | 22.2 | XXXXX |
| LIVING ALLOWANCES | U108 | 128 | 2.9 | | 2.9 | XXXXX |
| OTHER AID/W FUNDED O.C. 12 | U109 | 129 | - | | - | XXXXX |
| OTHER MISSION FUNDED O.C. 12 | U110 | 129 | - | | - | XXXXX |
| POST ASSIGNMENT - TRAVEL | U111 | 212 | 4.8 | | 4.8 | 1.0 |
| POST ASSIGNMENT - FREIGHT | U112 | 22 | 20.0 | | 20.0 | 1.0 |
| HOME LEAVE - TRAVEL | U113 | 212 | 24.4 | | 24.4 | 6.0 |
| HOME LEAVE - FREIGHT | U114 | 22 | 22.4 | | 22.4 | 6.0 |
| EDUCATION TRAVEL | U115 | 215 | 12.0 | | 12.0 | 6.0 |
| R AND R TRAVEL | U116 | 215 | 6.3 | | 6.3 | 4.0 |
| ALL OTHER CODE 215 TRAVEL | U117 | 215 | 10.4 | | 10.4 | 1.0 |
| <u>FOREIGN NATIONAL DH</u> | U200 | | 67.1 | | 67.1 | XXXXX |
| BASIC PAY | U201 | 114 | 62.1 | | 62.1 | 5.6 |
| OVERTIME, HOLIDAY PAY | U202 | 115 | 2.0 | | 2.0 | 1.0 |
| ALL OTHER CODE 11 - FN | U203 | 119 | - | | - | XXXXX |
| ALL OTHER CODE 12 - FN | U204 | 129 | 3.0 | | 3.0 | XXXXX |
| BENEFITS FORMER FN PERS. | U205 | 13 | - | | - | XXXXX |
| <u>CONTRACT PERSONNEL</u> | U300 | | 34.4 | | 34.4 | XXXXX |
| PASA TECHNICIANS | U301 | 258 | - | | - | - |
| U.S. PSC - SALARY/BENEFITS | U302 | 113 | - | | - | |
| ALL OTHER U.S. PSC COSTS | U303 | 255 | - | | - | XXXXX |
| F.M. PSC - SALARY/BENEFITS | U304 | 113 | 34.4 | | 34.4 | 2.2 |
| ALL OTHER F.M. PSC COSTS | U305 | 255 | - | | - | XXXXX |
| <u>HOUSING</u> | U400 | | 125.9 | | 125.9 | XXXXX |
| RENT | U401 | 235 | 49.6 | | 49.6 | 2.0 |
| UTILITIES | U402 | 235 | 7.0 | | 7.0 | XXXXX |
| RENOVATION AND MAINT. | U403 | 259 | 13.4 | | 13.4 | XXXXX |
| QUARTERS ALLOWANCE | U404 | 127 | - | | - | - |
| PURCHASES RES. FURN/EQUIP. | U405 | 311 | 12.9 | | 12.9 | XXXXX |
| TRANS./FREIGHT - CODE 311 | U406 | 22 | 19.4 | | 19.4 | XXXXX |
| SECURITY GUARD SERVICES | U407 | 254 | 22.6 | | 22.6 | XXXXX |
| OFFICIAL RESIDENCE ALLOW. | U408 | 254 | - | | - | XXXXX |
| REPRESENTATION ALLOWANCE | U409 | 252 | 1.0 | | 1.0 | XXXXX |

ORGANIZATION AID/ZAMBIA

| <u>EXPENSE CATEGORY</u> | <u>FUNCTION CODE</u> | <u>OBJECT CLASS</u> | <u>DOLLAR FUNDED</u> | <u>TRUST FUNDED</u> | <u>TOTAL BUDGET</u> | <u>UNITS</u> |
|------------------------------------|----------------------|---------------------|----------------------|---------------------|---------------------|--------------|
| <u>OFFICE OPERATIONS</u> | U500 | | 463.0 | | 463.0 | XXXXX |
| RENT | U501 | 234 | - | | - | XXXXX |
| UTILITIES | U502 | 234 | 2.0 | | 2.0 | XXXXX |
| BUILDING MAINT./RENOV. | U503 | 259 | 17.3 | | 17.3 | XXXXX |
| OFFICE FURN./EQUIP. | U504 | 310 | 23.5 | | 23.5 | XXXXX |
| VEHICLES | U505 | 312 | 15.0 | | 15.0 | XXXXX |
| OTHER EQUIPMENT | U506 | 319 | 10.4 | | 10.4 | XXXXX |
| TRANSPORTATION/FREIGHT | U507 | 22 | 64.6 | | 64.6 | XXXXX |
| COMMUNICATIONS | U508 | 230 | 22.9 | | 22.9 | XXXXX |
| SECURITY GUARD SERVICES | U509 | 254 | 5.7 | | 5.7 | XXXXX |
| PRINTING | U510 | 24 | 1.0 | | 1.0 | XXXXX |
| RIG/II OPERATIONAL TRAVEL | U511 | 210 | - | | - | - |
| SITE VISITS | U512 | 210 | 83.4 | | 83.4 | 39.0 |
| INFORMATION MEETINGS | U513 | 210 | - | | - | - |
| TRAINING ATTENDANCE | U514 | 210 | 7.2 | | 7.2 | 2.0 |
| CONFERENCE ATTENDANCE | U515 | 210 | 4.5 | | 4.5 | 2.0 |
| OTHER OPERATIONAL TRAVEL | U516 | 210 | - | | - | - |
| SUPPLIES AND MATERIALS | U517 | 26 | 42.3 | | 42.3 | XXXXX |
| FAAS | U518 | 257 | 83.9 | | 83.9 | XXXXX |
| CONSULTING SVCS - CONT. | U519 | 259 | - | | - | XXXXX |
| MGT./PROF. SVCS. - CONT. | U520 | 259 | - | | - | XXXXX |
| SPEC. STUDIES/ANALYSES CONT. | U521 | 259 | - | | - | XXXXX |
| ALL OTHER CODE 25 | U522 | 259 | 79.3 | | 79.3 | XXXXX |
| TOTAL O.E. BUDGET | | | 1196.3 | | 1196.3 | XXXXX |
| RECONCILIATION | | | 461.3 | | 461.3 | XXXXX |
| OPERATING ALLOWANCE REQUEST | | | 735.0 | | 735.0 | XXXXX |

OTHER INFORMATION:

Dollar requirement for local currency costs
 Exchange rate used (as of May 1, 1983)

402.9
\$1.00 = ZK1.15

ORGANIZATION AID/ZAMBIA

| <u>EXPENSE CATEGORY</u> | <u>FUNCTION CODE</u> | <u>OBJECT CLASS</u> | <u>DOLLAR FUNDED</u> | <u>TRUST FUNDED</u> | <u>TOTAL BUDGET</u> | <u>UNITS</u> |
|-----------------------------|----------------------|---------------------|----------------------|---------------------|---------------------|--------------|
| <u>U.S. DIRECT HIRE</u> | U100 | | 704.0 | | 704.0 | XXXXX |
| U.S. CITIZENS BASIC PAY | U101 | 110 | 367.1 | | 367.1 | 7.0 |
| PT/TEMP U.S. BASIC PAY | U102 | 112 | - | | - | - |
| DIFFERENTIAL PAY | U103 | 116 | 39.2 | | 39.2 | XXXXX |
| OTHER AID/W FUNDED O.C. 11 | U104 | 119 | - | | - | XXXXX |
| OTHER MISSION FUNDED O.C 11 | U105 | 119 | 3.6 | | 3.6 | XXXXX |
| EDUCATION ALLOWANCES | U106 | 126 | 80.7 | | 80.7 | 10.0 |
| RETIREMENT - U.S. | U107 | 120 | 25.7 | | 25.7 | XXXXX |
| LIVING ALLOWANCES | U108 | 128 | 58.4 | | 58.4 | XXXXX |
| OTHER AID/W FUNDED O.C. 12 | U109 | 129 | - | | - | XXXXX |
| OTHER MISSION FUNDED O.C.12 | U110 | 129 | - | | - | XXXXX |
| POST ASSIGNMENT - TRAVEL | U111 | 212 | 13.2 | | 13.2 | 2.0 |
| POST ASSIGNMENT - FREIGHT | U112 | 22 | 40.0 | | 40.0 | 2.0 |
| HOME LEAVE - TRAVEL | U113 | 212 | 19.0 | | 19.0 | 5.0 |
| HOME LEAVE - FREIGHT | U114 | 22 | 21.0 | | 21.0 | 5.0 |
| EDUCATION TRAVEL | U115 | 215 | 2.5 | | 2.5 | 2.0 |
| R AND R TRAVEL | U116 | 215 | 19.6 | | 19.6 | 8.0 |
| ALL OTHER CODE 215 TRAVEL | U117 | 215 | 14.0 | | 14.0 | 8.0 |
| <u>FOREIGN NATIONAL DH</u> | U200 | | 60.9 | | 60.9 | XXXXX |
| BASIC PAY | U201 | 114 | 55.9 | | 55.9 | 5.6 |
| OVERTIME, HOLIDAY PAY | U202 | 115 | 2.0 | | 2.0 | 1.0 |
| ALL OTHER CODE 11 - FM | U203 | 119 | - | | - | XXXXX |
| ALL OTHER CODE 12 - FM | U204 | 129 | 3.0 | | 3.0 | XXXXX |
| BENEFITS FORMER FM PERS. | U205 | 13 | - | | - | XXXXX |
| <u>CONTRACT PERSONNEL</u> | U300 | | 44.8 | | 44.8 | XXXXX |
| PASA TECHNICIANS | U301 | 258 | - | | - | - |
| U.S. PSC - SALARY/BENEFITS | U302 | 113 | - | | - | - |
| ALL OTHER U.S. PSC COSTS | U303 | 255 | - | | - | XXXXX |
| F.N. PSC - SALARY/BENEFITS | U304 | 113 | 44.8 | | 44.8 | 3.0 |
| ALL OTHER F.N. PSC COSTS | U305 | 255 | - | | - | XXXXX |
| <u>HOUSING</u> | U400 | | 159.8 | | 159.8 | XXXXX |
| RENT | U401 | 235 | 68.0 | | 68.0 | 3.0 |
| UTILITIES | U402 | 235 | 11.1 | | 11.1 | XXXXX |
| RENOVATION AND MAINT. | U403 | 259 | 16.0 | | 16.0 | XXXXX |
| QUARTERS ALLOWANCE | U404 | 127 | - | | - | - |
| PURCHASES RES. FURN/EQUIP. | U405 | 311 | 12.7 | | 12.7 | XXXXX |
| TRANS./FREIGHT - CODE 311 | U406 | 22 | 17.2 | | 17.2 | XXXXX |
| SECURITY GUARD SERVICES | U407 | 254 | 32.3 | | 32.3 | XXXXX |
| OFFICIAL RESIDENCE ALLOW. | U408 | 254 | 0.5 | | 0.5 | XXXXX |
| REPRESENTATION ALLOWANCE | U409 | 252 | 2.0 | | 2.0 | XXXXX |

ORGANIZATION AID/ZAMBIA

| <u>EXPENSE CATEGORY</u> | <u>FUNCTION CODE</u> | <u>OBJECT CLASS</u> | <u>DOLLAR FUNDED</u> | <u>TRUST FUNDED</u> | <u>TOTAL BUDGET</u> | <u>UNITS</u> |
|------------------------------------|----------------------|---------------------|----------------------|---------------------|---------------------|--------------|
| <u>OFFICE OPERATIONS</u> | U500 | | 526.8 | | 526.8 | XXXXX |
| RENT | U501 | 234 | 10.0 | | 10.0 | XXXXX |
| UTILITIES | U502 | 234 | 2.3 | | 2.3 | XXXXX |
| BUILDING MAINT./RENOV. | U503 | 259 | 12.4 | | 12.4 | XXXXX |
| OFFICE FURN./EQUIP. | U504 | 310 | 125.1 | | 125.1 | XXXXX |
| VEHICLES | U505 | 312 | 7.0 | | 7.0 | XXXXX |
| OTHER EQUIPMENT | U506 | 319 | 3.1 | | 3.1 | XXXXX |
| TRANSPORTATION/FREIGHT | U507 | 22 | 22.1 | | 22.1 | XXXXX |
| COMMUNICATIONS | U508 | 230 | 25.2 | | 25.2 | XXXXX |
| SECURITY GUARD SERVICES | U509 | 254 | 11.1 | | 11.1 | XXXXX |
| PRINTING | U510 | 24 | 2.0 | | 2.0 | XXXXX |
| RIG/II OPERATIONAL TRAVEL | U511 | 210 | - | | - | |
| SITE VISITS | U512 | 210 | 142.1 | | 142.1 | 52.0 |
| INFORMATION MEETINGS | U513 | 210 | - | | - | - |
| TRAINING ATTENDANCE | U514 | 210 | 18.5 | | 18.5 | 5.0 |
| CONFERENCE ATTENDANCE | U515 | 210 | 6.5 | | 6.5 | 2.0 |
| OTHER OPERATIONAL TRAVEL | U516 | 210 | - | | - | - |
| SUPPLIES AND MATERIALS | U517 | 26 | 57.3 | | 57.3 | XXXXX |
| FAAS | U518 | 257 | - | | - | XXXXX |
| CONSULTING SVCS - CONT. | U519 | 259 | - | | - | XXXXX |
| MGT./PROP. SVCS. - CONT. | U520 | 259 | - | | - | XXXXX |
| SPEC. STUDIES/ANALYSES CONT. | U521 | 259 | - | | - | XXXXX |
| ALL OTHER CODE 25 | U522 | 259 | 82.1 | | 82.1 | XXXXX |
| TOTAL O.E. BUDGET | | | <u>1496.3</u> | | <u>1496.3</u> | <u>XXXXX</u> |
| RECONCILIATION | | | <u>432.0</u> | | <u>432.0</u> | <u>XXXXX</u> |
| OPERATING ALLOWANCE REQUEST | | | <u>1064.3</u> | | <u>1064.3</u> | <u>XXXXX</u> |

OTHER INFORMATION:

Dollar requirement for local currency costs
 Exchange rate used (as of May 1, 1983)

423.7
\$1.00 = ZK 1.15

Estimated Wage Increases - FY 1983 to FY 1984
 Estimated Price Increases - FY 1983 to FY 1984

12%
18%

ORGANIZATION AID/ZAMBIA

| <u>EXPENSE CATEGORY</u> | <u>FUNCTION CODE</u> | <u>OBJECT CLASS</u> | <u>DOLLAR FUNDED</u> | <u>TRUST FUNDED</u> | <u>TOTAL BUDGET</u> | <u>UNITS</u> |
|-----------------------------|----------------------|---------------------|----------------------|---------------------|---------------------|--------------|
| <u>U.S. DIRECT HIRE</u> | U100 | | 728.7 | | 728.7 | XXXXX |
| U.S. CITIZENS BASIC PAY | U101 | 110 | 372.3 | | 372.3 | 7.0 |
| PT/TEMP U.S. BASIC PAY | U102 | 112 | - | | - | - |
| DIFFERENTIAL PAY | U103 | 116 | 39.9 | | 39.9 | XXXXX |
| OTHER AID/W FUNDED O.C. 11 | U104 | 119 | - | | - | XXXXX |
| OTHER MISSION FUNDED O.C 11 | U105 | 119 | 3.6 | | 3.6 | XXXXX |
| EDUCATION ALLOWANCES | U106 | 126 | 104.5 | | 104.5 | 10.0 |
| RETIREMENT - U.S. | U107 | 120 | 26.1 | | 26.1 | XXXXX |
| LIVING ALLOWANCES | U108 | 128 | 58.4 | | 58.4 | XXXXX |
| OTHER AID/W FUNDED O.C. 12 | U109 | 129 | - | | - | XXXXX |
| OTHER MISSION FUNDED O.C.12 | U110 | 129 | - | | - | XXXXX |
| POST ASSIGNMENT - TRAVEL | U111 | 212 | 11.8 | | 11.8 | 2.0 |
| POST ASSIGNMENT - FREIGHT | U112 | 22 | 42.0 | | 42.0 | 2.0 |
| HOME LEAVE - TRAVEL | U113 | 212 | 17.7 | | 17.7 | 4.0 |
| HOME LEAVE - FREIGHT | U114 | 22 | 13.9 | | 13.9 | 4.0 |
| EDUCATION TRAVEL | U115 | 215 | 2.8 | | 2.8 | 2.0 |
| R AND R TRAVEL | U116 | 215 | 20.1 | | 20.1 | 8.0 |
| ALL OTHER CODE 215 TRAVEL | U117 | 215 | 15.6 | | 15.6 | 8.0 |
| <u>FOREIGN NATIONAL DH</u> | U200 | | 68.5 | | 68.5 | XXXXX |
| BASIC PAY | U201 | 114 | 63.5 | | 63.5 | 5.6 |
| OVERTIME, HOLIDAY PAY | U202 | 115 | 2.0 | | 2.0 | - |
| ALL OTHER CODE 11 - FN | U203 | 119 | - | | - | XXXXX |
| ALL OTHER CODE 12 - FN | U204 | 129 | 3.0 | | 3.0 | XXXXX |
| BENEFITS FORMER FN PERS. | U205 | 13 | - | | - | XXXXX |
| <u>CONTRACT PERSONNEL</u> | U300 | | 52.4 | | 52.4 | XXXXX |
| PASA TECHNICIANS | U301 | 258 | - | | - | - |
| U.S. PSC - SALARY/BENEFITS | U302 | 113 | - | | - | - |
| ALL OTHER U.S. PSC COSTS | U303 | 255 | - | | - | XXXXX |
| F.N. PSC - SALARY/BENEFITS | U304 | 113 | 52.4 | | 52.4 | - |
| ALL OTHER F.N. PSC COSTS | U305 | 255 | - | | - | XXXXX |
| <u>HOUSING</u> | U400 | | 163.3 | | 163.3 | XXXXX |
| RENT | U401 | 235 | 68.0 | | 68.0 | - |
| UTILITIES | U402 | 235 | 11.9 | | 11.9 | XXXXX |
| RENOVATION AND MAINT. | U403 | 259 | 14.0 | | 14.0 | XXXXX |
| QUARTERS ALLOWANCE | U404 | 127 | - | | - | - |
| PURCHASES RES. FURN/EQUIP. | U405 | 311 | 11.8 | | 11.8 | XXXXX |
| TRANS./FREIGHT - CODE 311 | U406 | 22 | 16.8 | | 16.8 | XXXXX |
| SECURITY GUARD SERVICES | U407 | 254 | 38.3 | | 38.3 | XXXXX |
| OFFICIAL RESIDENCE ALLOW. | U408 | 254 | 0.5 | | 0.5 | XXXXX |
| REPRESENTATION ALLOWANCE | U409 | 252 | 2.0 | | 2.0 | XXXXX |

ORGANIZATION AID /ZAMBIA

| <u>EXPENSE CATEGORY</u> | <u>FUNCTION CODE</u> | <u>OBJECT CLASS</u> | <u>DOLLAR FUNDED</u> | <u>TRUST FUNDED</u> | <u>TOTAL BUDGET</u> | <u>UNITS</u> |
|---|----------------------|---------------------|----------------------|---------------------|---------------------|--------------|
| <u>OFFICE OPERATIONS</u> | U500 | | 420.1 | | 420.1 | XXXXX |
| RENT | U501 | 234 | 10.0 | | 10.0 | XXXXX |
| UTILITIES | U502 | 234 | 2.6 | | 2.6 | XXXXX |
| BUILDING MAINT./RENOV. | U503 | 259 | 4.2 | | 4.2 | XXXXX |
| OFFICE FURN./EQUIP. | U504 | 310 | 4.8 | | 4.8 | XXXXX |
| VEHICLES | U505 | 312 | 7.0 | | 7.0 | XXXXX |
| OTHER EQUIPMENT | U506 | 319 | 3.6 | | 3.6 | XXXXX |
| TRANSPORTATION/FREIGHT | U507 | 22 | 13.1 | | 13.1 | XXXXX |
| COMMUNICATIONS | U508 | 230 | 29.5 | | 29.5 | XXXXX |
| SECURITY GUARD SERVICES | U509 | 254 | 11.9 | | 11.9 | XXXXX |
| PRINTING | U510 | 24 | 2.0 | | 2.0 | XXXXX |
| RIG/II OPERATIONAL TRAVEL | U511 | 210 | - | | - | |
| SITE VISITS | U512 | 210 | 156.2 | | 156.2 | 57.0 |
| INFORMATION MEETINGS | U513 | 210 | - | | - | - |
| TRAINING ATTENDANCE | U514 | 210 | 20.5 | | 20.5 | 5.0 |
| CONFERENCE ATTENDANCE | U515 | 210 | 7.2 | | 7.2 | 3.0 |
| OTHER OPERATIONAL TRAVEL | U516 | 210 | - | | - | - |
| SUPPLIES AND MATERIALS | U517 | 26 | 62.1 | | 62.1 | XXXXX |
| FAAS | U518 | 257 | - | | - | XXXXX |
| CONSULTING SVCS - CONT. | U519 | 259 | - | | - | XXXXX |
| MGT./PROF. SVCS. - CONT. | U520 | 259 | - | | - | XXXXX |
| SPEC. STUDIES/ANALYSES CONT. | U521 | 259 | - | | - | XXXXX |
| ALL OTHER CODE 25 | U522 | 259 | 85.4 | | 85.4 | XXXXX |
| TOTAL O.E. BUDGET | | | 1433.0 | | 1433.0 | XXXXX |
| RECONCILIATION | | | 438.3 | | 438.3 | XXXXX |
| OPERATING ALLOWANCE REQUEST | | | 994.7 | | 994.7 | XXXXX |
| OTHER INFORMATION: | | | | | | |
| Dollar requirement for local currency costs | | | | 553.8 | | |
| Exchange rate used (as of May 1, 1983) | | | | \$1.00 = ZK 1.15 | | |
| Estimated Wage Increases - FY 1984 to FY 1985 | | | | 12% | | |
| Estimated Price Increases - FY 1984 to FY 1985 | | | | 25% | | |

OPERATING EXPENSE NARRATIVE

A. Management Improvements

As stated elsewhere, during the past year, after delays in 1981 and 1982, AID/Zambia began to implement two major technical assistance projects. Over the past three years AID/Zambia has steadily grown from three USDH and three FNDH to six and six respectively in 1983; seven and six are projected in 1984. As long as there are no new starts, 1984, should be the last year of growth, with 1985, seeing a leveling off of personnel costs and investments in furniture and equipment. The implications of this for the OE budget are discussed in detail in section B below.

Management objectives during FY 1984 and FY 1985 are to continue to improve monitoring of AID projects, improve support to institutional contract personnel, and to refine and improve the administrative support services provided all personnel. To accomplish this, AID/Zambia is projecting a slight increase in direct hire personnel and a major change in the management of services.

First, the assignment of an economist is planned in FY 1984. Because this additional staff member is needed as soon as possible, budget estimates assume his/her assignment early in FY 1984. This has resulted in a substantial increase in housing costs in 1984, as well as an increase in USDH costs. AID/Zambia is also requesting an increase in FNDH staff; this is discussed in the Table IX narrative.

The second area of major improvement is in AID's relationship with the Embassy. In the past AID has received a broad range of services from the Embassy with varying degrees of success. In the area of household maintenance AID/Zambia has been increasingly dissatisfied as services have steadily deteriorated. With the arrival of institutional contract personnel the situation has worsened. Under an agreement reached with the Embassy in 1980, support for contract as well as USDH personnel in Lusaka was to be provided by the Embassy. However, it was never contemplated that services would be provided to contract personnel outside Lusaka and the Zambian Government cannot provide them. A recent cost study determined that it is not economically feasible for AID/Zambia to provide services to just the seven contractors residing outside Lusaka. However, if services are also provided to the four contractors in Lusaka and the seven USDH as well as the AID office, AID/Zambia should be able to do so at less cost to the operating expense budget than is now being paid under the FAAS agreement. It will, however, mean some initial start up costs and an increase in contractual costs over the next few years which have a direct effect on the OE budget. This latter cost would be offset by savings in AID/W costs paid under the FAAS agreement. The recently signed FAAS agreement for 1984 shows a reduction from 13.5% in 1983 to 4.56% in 1984.

In addition, within the management area but with implications for program planning and economic analyses is the planned procurement of

automatic data processing equipment which is discussed more fully in a later Table VIII narrative. AID/Zambia believes that the procurement of this equipment will improve AID's capability to more effectively monitor project and OE budgets without a substantial increase in staffing, maintain better real and personal property control, better account for project commodities, maintain more accurate cost data and provide more comprehensive, detailed reports. It is also anticipated that the equipment will provide the capability for more and better economic analyses to support program and development planning activities.

B. Justification for Funding Changes

The major change in U.S. Direct Hire costs (U100) between FY 1983 and FY 1984 (a 39% increase) is due partially to the projected increase of one USDH and partially due to projected allowances based on staff currently at post or expected. The latter is extremely difficult to budget and may have been over-estimated. If family size or ages of children vary, this change in direct hire costs could drop to 15% or increase to 50%. Because of the cost of away-from-post education, the arrival, or departure, of an officer with secondary school age children can have a major effect on the costs for USDH staff.

Between 1983, and 1984, there is a slight decrease in FSN costs due to a probable devaluation of the kwacha but this is somewhat offset by a projected increase in salary costs based on an accelerating inflation rate. This also shows up in the increase between 1984, and 1985 (12%). The increase in PSC costs is directly related to the decision on FAAS services noted in Section A. PSC's will be used to cover some of those services previously obtained under the FAAS agreement.

The change in housing costs (U400) from 1983, to 1984 (27%), arises from two factors, an increase in USDH and security. With an increase of one USDH, rents alone will increase 50% because AID currently rents only two of six residences. This will change to three of seven. Even if AID/Zambia is able to negotiate a lease purchase agreement, the increase in 1984, will be necessary since the first year will be paid from OE funds. AID/Zambia has budgeted on the assumption that a lease can be obtained under a purchase agreement and that 636(c) funds will be available to exercise the option before the end of 1984. If successful this would normally result in a decrease in housing costs between 1984 and 1985. However, from a security point of view the Post Housing Committee and the Emergency Action Committee have recommended a consolidation of houses in one residential area of Lusaka. This will mean the lease or purchase of an additional house to replace an owned house which is located in a very insecure area of the city. Therefore housing costs between 1984, and 1985, remain stable. AID/Zambia is already beginning the search for this house along with housing for the additional USDH.

Although an increase is projected in the costs for office operations (14%) related to the decision to decrease AID's participation in the FAAS, these are offset to a certain extent by savings in other areas such as new procurement which should be completed in 1983. After 1984, procurement should be confined to replacement property on an average six-year replacement cycle. The principal reason for the increase in U500 costs between 1983, and 1984, is the major, one-time, procurement of ADP hardware although an increase in travel costs is also projected. From 1984, to 1985, this turns around to a substantial decrease in costs (20%) as AID/Zambia reverts to normal replacement procurement although there is again a projected increase in travel costs.

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TABLE VIII(b)
OBLIGATIONS FOR WP SYSTEMS
(\$000)

| | -----Fiscal Year----- | | |
|--|-----------------------|-------|-------|
| | 1983 | 1984 | 1985 |
| A. Capital Investments in W/P Equipment | | 115.9 | |
| B. W/P Equipment Rental and Supplies | | 1.2 | 1.9 |
| C. Other W/P Costs | | 6.8 | 7.4 |
| Total | | ----- | ----- |
| Amount included in <u>Mission allowance</u> for existing systems | | | |
| Amount included in <u>Mission allowance</u> for new/expanded systems | | 123.9 | 9.3 |

WORD PROCESSING NARRATIVE

Earlier this year, with the assistance of RFMC personnel and encouraged by information obtained at the January 1983, Principal Officers Conference in Harare, AID/Zambia initiated a request to the Office of Data Management (DM) for the acquisition of a WANG OIS-140. Specifically, the RFMC Computer Systems Analyst assisted in drafting the proposal to AID/W, recommending the OIS-140-1 with seven workstations (two archiving), two daisy printers with twin sheet feeders, one MPU, one disk drive with 28 megabites, and line conditioners with Supercalc, D. Base II and Microstat software.

Potential users are sixteen employees (seven USDH, 6 FNDH and 3 PSC) plus the numerous visitors from regional support offices. Requirements include word processing capability for OCR cable preparation; ABS/CDSS exercises and other special narrative fiscal reports; fiscal analysis and data management in support of AID's administrative and program activities, which include some 700 returned participants; a CIP program; economic and statistical analyses; real property management and costing; mission non-expendable property inventories; project commodities and non-expendable property control; project and operating expense budget preparation; and, monitoring and memorandum accounting records.

Since the original submission it has been suggested by DM that AID/Zambia procure the OIS-140-3 with 80.4 megabyte disk drive. Some additional software, redundancy, and a mini-diskette archiving workstation have boosted the total cost to the figure shown in the following table VIII to \$123,900 in 1984.

AID/Zambia had hoped for savings in the FY 1983 budget that would permit, with DM approval, procurement to begin this year but a review of the budget indicates little, if any surplus will be available. Instead, AID/Zambia would like to be able to proceed with procurement in early FY 1984. Although the initial cost is somewhat high, we believe that future savings and benefits in increased ability to plan and analyse and monitor funds, keep track of participants and the commodity import program, make it worthwhile.

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TABLE IX(a) - WORKFORCE REQUIREMENTS (U.S. DIRECT HIRE)

| <u>SKILL CODE</u> | <u>POSITION TITLE</u> | <u>WORKYEARS</u> | | | |
|-----------------------|-------------------------------------|------------------|--------------|--------------|--------------|
| | | <u>FY 83</u> | <u>FY 84</u> | <u>FY 85</u> | <u>FY 86</u> |
| 011 | AID Representative | 1.0 | 1.0 | 1.0 | |
| 032 | Management Officer | 1.0 | 1.0 | 1.0 | |
| 103 | Agricultural Development Officer | 1.0 | 1.0 | 1.0 | |
| 124 | General Development Officer | 1.0 | 1.0 | 1.0 | |
| 150 | Regional Food for Peace Officer | 1.0 | 1.0 | 1.0 | |
| 251 | General Engineering Officer | 1.0 | 1.0 | 1.0 | |
| 021 | Program Economist | - | 1.0 | 1.0 | |
| | | 6.0 | 7.0 | 7.0 | |

TABLE IX(b) - WORKFORCE REQUIREMENTS (F.M. DIRECT HIRE)

| SKILL CODE | POSITION TITLE | WORKYEARS | | | |
|---------------|------------------------|-----------|-------|-------|-------|
| | | FY 83 | FY 84 | FY 85 | FY 86 |
| 050 | Secretary | 1.6 | 1.6 | 1.6 | |
| 070 | Admin. Assistant | 1.0 | 1.0 | 1.0 | |
| 100 | Agricultural Assistant | 1.0 | 1.0 | 1.0 | |
| 120 | Training Assistant | 1.0 | 1.0 | 1.0 | |
| 060 | Driver | 1.0 | 1.0 | 1.0 | |
| | | 5.6 | 5.6 | 5.6 | |

WORKFORCE NARRATIVE

AID/Zambia authorized work-year levels for 1983 are 6 USDH, 5 FNDH and 1 FN PIT. The USDH levels for 1984 through 1986 have been increased to 7 with the establishment of an Economist position. This mix will provide the skills needed during that period to adequately plan and monitor AID programs. However, AID/Zambia lacks adequate coverage in the areas of commodity management in light of the \$65 million active and planned CIP loans and in financial management and analysis in light of the overall OYB of \$15 million (plus a PL 480 Title I program of \$12 million). The latter deficiency may be ameliorated to some degree by the acquisition of ADP hardware and RFMC Nairobi plans for expansion of its system to include a telecommunications link. Although it will not in itself improve AID/Zambia's financial analysis capability, the full system, when operational, may permit RFMC staff more time to provide assistance. At the moment with respect to commodity management, the AID/Zambia Engineering Officer is assisting the AID Representative. REDSO/ESA also provides considerable assistance in monitoring this program. With the Kafue-Chirundu Road Project (690-0209) expected to be completed in 1985, a permanently assigned engineer will no longer be required unless other, unexpected engineering projects are started up in Zambia or within the region. If the commodity import program continues at the same level or increases, it is proposed that the engineer be replaced by a Commodity Management Officer.

Another area of concern is the FNDH levels. AID/Zambia currently has one full-time and one part-time FNDH secretary who are cleared to handle administratively controlled material. While it is possible to obtain secretarial services on a contract basis and it may be possible to obtain clearances, the difference between direct hire and contract personnel should be of enough concern from a security stand point to warrant additional FSN staffing. The same applies to professional local employees. As a post which is succeeding in doing "more with less" while keeping USDH levels at a minimum, employment of Zambian professionals is critical to assist, backstop, and fill in for USDH staff when they are traveling to project sites, on consultation, for training, or on leave. Without this depth it would be impossible to accomplish AID's goals. While such employees can also be hired under contracts it must be noted that there still exists a distinct difference between direct hire and contract personnel. One area is security as noted above. The other is training. AID usually runs training courses for FNDH employees, not contract staff. Finally, it would seem vital that such an absolutely essential position as the telephone operator/receptionist who has control of the security doors giving access to the AID office building should be a direct hire position. The security of all AID/Zambia employees is in the hands of this employee. In sum, an additional three FSN positions are essential to the operation of this office at current levels. This increase will not change the OE budget except to move costs from the contract personnel to direct hire category.

With respect to how a 10% reduction in personnel levels would be accommodated, such a decrease is impossible in Zambia. With current

authorized levels, AID/Zambia is already handling a larger OYB than most AID posts in Africa with one of the largest program to personnel ratios in the Bureau. The only way personnel levels could be reduced would be to terminate on-going projects or programs. For example, if AID/Zambia were to eliminate the CIP program altogether while maintaining TA projects at \$5 million per annum together with a PL 480 program at the same level, it would be possible to cut the staff (see Table I). Given the nature of the program (with both project and non-project assistance) such a drastic change would be required. There is little in-between.

PL-480 NARRATIVE

1. PL-480 Strategy

In the late 1970's, prior to the establishment of a separate AID Office, the PL-480 Title I program was designed only to provide balance of payments support and to narrow wheat, vegetable oil, rice and maize import deficits. Although some local currency programming and policy measures were included in these agreements, without background analysis and sustained dialogue the development potential of these agreements could not be fully tapped. As the nature of AID's efforts in Zambia began to shift from general economic support to a more specific development program, and as AID staff grew, more attention was paid to achieving policy reform with AID assistance. Although there are a number of donors that provide sizeable assistance to Zambia, at present the U.S. is the only bilateral donor that links its food aid and commodity loan programs to policy reform. The self-help and local currency measures of each PL-480 agreement are linked with CIP "Support Measures" in order to focus attention on policy objectives and enhance leverage and impact. The overall effect has been significant in helping the Zambian Government overcome the most critical obstacles to economic development. For example, during the past few years, the Zambian Government has taken several steps to improve the farmers' terms of trade and increase private sector investment in the agricultural sector.

Devaluation:

In January, 1983, the Zambian Government devalued the Kwacha by 20 percent against the SDR. This amounted to an average 43 percent increase in the amount of Kwacha needed to buy a unit of foreign exchange.

Reduced Consumer Subsidies:

In August 1982, and May, 1983, the Zambian Government increased maize and fertilizer consumer prices. Maize prices were raised 60 percent and fertilizer prices over 100 percent within nine months in an effort to reduce costly consumption subsidies which have drained public finances.

Decontrol of Consumer Prices:

In December, 1982, the GRZ removed price controls on most consumer goods in an effort to reduce ineffective GRZ interference in the market and to stimulate the flow of manufactured goods to the rural sector. Previously uniform set prices throughout the nation encouraged consumption in the urban areas where the items were produced; now the cost of transport to the rural areas can be added by the retailer.

Increased Agricultural Producer Prices:

In July, 1982, the GRZ announced a 14.4% increase in the producer price

of maize and 4 to 15% increases in the producer prices of wheat, soyabeans, sunflower, groundnuts, cotton, tobacco and milk. In November, 1982, the GRZ announced sizeable increases for sorghum and cassava, in a policy measure designed to encourage the production of alternative staple crops. In May, 1983, the President publicly assured farmers that the GRZ would increase maize producer prices to reflect the recent increases in fertilizer prices.

The primary policy-related Self Help Measures in the most recent Title I Agreements involve the pricing regimes which most directly affect Zambia's rural agricultural sector. In these Agreements the Zambian Government agreed to (a) raise agricultural producer prices far enough in advance of the planting season to encourage increased investment in food production, (b) reduce government subsidies on agricultural inputs, especially those on fertilizer, and (c) increase the consumer price of maize thus reducing subsidies on marketed maize (most marketed maize is consumed in the urban areas). In developing these policy measures with the GRZ, AID/Zambia has taken into consideration policy measures recommended by the World Bank and the IMF. As noted above, the Zambian Government took several significant steps in 1982 and 1983 toward complying with these politically difficult pricing reforms.

In FY 84 and FY 85 AID/Zambia will continue to link the PL 480 and CIP programs to Zambian initiatives, improve the relative consumer prices of food products, allow regionally differentiated producer prices, and decrease inappropriate GRZ interventions in the functioning of the agricultural sector. The policy reform Self Help Measures which are now being considered for FY 85 include further reduction in agricultural input and food consumption subsidies; incentive producer prices for agricultural commodities; regionally differentiated producer pricing; increased role of private sector in the marketing system; and further deregulations of prices for non-agricultural commodities. (Other policy measures will no doubt be identified in the course of the continuing policy dialogue). At the same time local currency attributions will continue to be supportive of the Self Help measures and CDSS objectives.

In order to accomplish these ambitious policy and local currency objectives, each of which is an integral part of the USG's foreign assistance strategy in Zambia, and in light of the projected price increases (per ABS guidance) which will reduce commodity tonnages, Zambia's Title I budget should remain at the \$10-\$12 million level. However, to be consistent with the AAPL projections which, according to the ABS Guidance, are not to be changed, PL 480 levels show a decline after FY 1985.

For FY 84 and 85, annual Title I shipments of the following approximate amounts are contemplated:

| | |
|---------------|--------|
| Wheat | 30,000 |
| Vegetable Oil | 8,000 |
| Rice | 3,000 |

2. Commodity Analysis

Zambia will continue to face large deficits in wheat, vegetable oil, and rice throughout the mid-1980's. Although in recent years there have been significant advances in domestic production of these commodities, the total annual average supply (i.e., domestic production plus imports) is little more than half of estimated demand. As the tables below also reveal, about 80 percent of the wheat, vegetable oil and rice consumed in Zambia each year is imported.

Average Annual Supply and Demand of Wheat, Veg. Oil and Rice 1975 - 1983

| | Actual Average Annual Supply | Imports ^{1/} as a Percent of Average Annual Supply | Estimated Average Annual Demand ^{2/} |
|---------------|------------------------------|---|---|
| Wheat | 101,000 MT | 92% | 160,000 MT |
| Vegetable Oil | 12,822 MT | 73% | 23,000 MT |
| Rice | 8,044 MT | 73% | 18,000 MT |

^{1/} These imports include commercial, concessional and grant imports

^{2/} These are conservative estimates of what could be sold in Zambia if there were no supply restrictions or rationing.

3. Distribution and Storage

Zambia, which is landlocked and over 500 miles from the nearest port access to the sea, has an inherently complex and inefficient transport system. Imported goods for Zambia are received at the ports of Dar-es-Salaam in Tanzania, Beira in Mozambique and Durban, East London and Port Elizabeth over 1,000 miles away in South Africa. (The Benguela Railroad access to the Atlantic Ocean through Angola is not used for security reasons). It is not uncommon for these countries to accord a lower priority to Zambian cargo. Although Zambia's transport constraints have eased somewhat since Zimbabwe's independence in 1980, port and railroad inefficiencies are still a formidable challenge for each shipment of goods. For these reasons, a thorough analysis of port and rail conditions is required prior to any Zambian PL 480 shipment.

Warehouse mismanagement is responsible for sizeable losses of domestically produced corn, and there is a shortage of bulk grain storage facilities (i.e., silos). There is no serious shortage of storage space for bagged

commodity or vegetable oil, however, and Zambia's dry hot climate is conducive to a long shelf life for properly stored food grains. Nevertheless, prior to any PL 480 shipment, AID/Zambia reviews carefully with the GRZ and the importing entities the storage space requirements for PL 480 commodities.

4. Disincentive Effects

PL 480 has not been, and will not be a disincentive to domestic food production, particularly if AID's efforts at policy reforms continue to bring positive results. As in the past, AID/Zambia will use the PL 480 program, in conjunction with CIP loans and technical assistance projects, to encourage Zambia to rationalize its agricultural policies, increase producer prices and reduce unnecessary and costly consumer subsidies and provide incentives to increase investment in agriculture and food production. In addition, through demand creation, wheat, rice and vegetable oil imports have served in the past to stimulate domestic production of these crops. Possible disincentive effects are reviewed prior to signing each new PL 480 Agreement.

5. Market Development

It should also be pointed out that aside from the developmental aspects of the PL 480 program, recent agreements have also had market development effects. In 1982 the Zambian Government made a commercial purchase of vegetable oil from the United States and has been working closely with the U.S. Department of Agriculture to formulate a blended credit program for wheat purchases in order to break Australia's traditional hold on the Zambian market.

VEGETABLE OIL/RICE/WHEAT
MARKETED PRODUCTION AND IMPORTS - 1975/76 TO 1983/84

| | <u>Wheat</u> | <u>Veg. Oil</u> | <u>Rice</u> |
|-------------------------------------|--------------|-----------------|-------------|
| 1975/76: Domestic Prod. | 934 | 1,307 | 990 |
| Imports | 63,037 | 8,100 | 9,000 |
| Total Supply | 63,971 | 9,407 | 9,990 |
| 1976/77: Domestic Prod. | 3,459 | 3,814 | 2,224 |
| Imports | 104,905 | 13,894 | 6,000 |
| Total Supply | 108,364 | 17,708 | 8,224 |
| 1977/78: Domestic Prod. | 4,741 | 3,803 | 2,090 |
| Imports | 94,942 | 11,598 | 6,468 |
| Total Supply | 99,683 | 15,401 | 8,558 |
| 1978/79: Domestic Prod. | 6,400 | 1,780 | 2,770 |
| Imports | 120,235 | 6,820 | 5,669 |
| Total Supply | 126,635 | 8,600 | 8,439 |
| 1979/80: Domestic Prod. | 4,322 | 2,144 | 1,686 |
| Imports | 69,594 | 4,000 | -0- |
| Total Supply | 73,916 | 6,144 | 1,686 |
| 1980/81: Domestic Prod. | 9,900 | 3,255 | 1,286 |
| Imports | 54,000 | 7,000 | -0- |
| Total Supply | 63,900 | 10,255 | 1,286 |
| 1981/82: Domestic Prod. | 11,800 | 5,000 | 2,856 |
| Imports | 132,600 | 11,000 | 7,180 |
| Total Supply | 144,400 | 16,000 | 10,036 |
| 1982/83: Domestic Prod. (Prelim) | 14,144 | 4,000 | 2,960 |
| Imports | 75,294 | 10,000 | 8,259 |
| Total Supply | 89,438 | 14,000 | 11,219 |
| 1983/84: Domestic Prod. (Est.) | 16,610 | 6,000 | 3,120 |
| Imports | 119,898 | 12,000 | 10,286 |
| Total Supply | 136,508 | 18,000 | 13,406 |

FY 1985 ANNUAL BUDGET SUBMISSION

TABLE XI

P.L. 480 TITLE I/III REQUIREMENTS
(Dollars in Millions, Tonnage in Thousands)

| COMMODITIES | FY 1983 | | | Estimated FY 1984 | | | Projected FY 1985 | | |
|------------------------------|--------------------|--------------------|--------------------------------|--------------------|--------------------|--------------------------------|--------------------|--------------------|--------------------------------|
| | Agreement \$ MT | Shipments \$ MT | Carry into FY 1983 \$ MT | Agreement \$ MT | Shipments \$ MT | Carry into FY 1984 \$ MT | Agreement \$ MT | Shipments \$ MT | Carry into FY 1985 \$ MT |
| <u>Title I</u> | | | | | | | | | |
| Wheat | 2.8 18.6 | 2.8 16.2 | -- -- | 5.2 30.0 | -- -- | -- -- | 5.5 30.0 | -- -- | -- -- |
| Vegetable Oil | 2.4 5.5 | 2.4 5.5 | -- -- | 3.8 7.0 | -- -- | -- -- | 4.7 7.0 | -- -- | -- -- |
| Rice | 1.8 6.0 | 1.8 6.0 | -- -- | 1.0 3.0 | -- -- | -- -- | 1.8 3.0 | -- -- | -- -- |
| Total | 7.0 30.1 | 7.0 27.7 | -- -- | 10.0 40.0 | -- -- | -- -- | 12.0 40.0 | -- -- | -- -- |
| Of which <u>Title III</u> | | | | | | | | | |
| Total | | | | | | | | | |
| COMMENT: | | | | | | | | | |

NON-BILATERAL FUNDED ACTIVITIES

There are non-bilateral funded activities in Zambia of which we have no detailed knowledge. A partial list of organizations involved includes the Salvation Army, SAWS, Africare, Pathfinder, FPIA, MFM/ Freedom from Hunger, Save the Children Foundation, Volunteer Development Corps and the International Eye Foundation.

The information requested in paragraph five of the Africa Bureau's Supplemental ABS Guidance (State 123791 of May 5, 1983) concerning activity details, funding data and other items should be obtained within AID/W where the various non-bilateral funded activities were developed for AID financing and where agreements were reached. To require AID/Zambia to obtain this information would impose a sizeable burden and require considerable additional staff time.

FY 1985 PLANNING, MANAGEMENT AND RESEARCH FUNDING
REQUIREMENTS

| <u>Skill</u> | <u>Cost</u> | <u>Description</u> |
|---------------------------|-------------|--|
| 1. Four Economists | \$50,000 | Studies of the informal sector to include surveys of economic activities in small towns and villages; labor intensive small-scale production; small-scale decision-making processes. |
| 2. Two Economists (Local) | \$10,000 | BiAnnual survey of wages to include the informal and formal sectors. |